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**RANA PLAZA: A FAILURE OF GOVERNANCE****DR. REVATHI IYER****DEAN ACADEMICS****KIRLOSKAR INSTITUTE OF ADVANCED MANAGEMENT STUDIES****YANTRAPUR HARIHAR****DR. C N NARAYANA****PRINCIPAL DIRECTOR****KIRLOSKAR INSTITUTE OF ADVANCED MANAGEMENT STUDIES****YANTRAPUR HARIHAR****ABSTRACT**

*This paper is an attempt to understand what made the Rana Plaza disaster in Bangladesh a work of the newly emerging outsourcing abnormality in profits and of capitalistic greed and how lack of governance and corporate charters would lead to disregard and least regard of human lives and recommendation of how governments must look at ethical sourcing practices for its workers to enable a sustainable long term growth initiative for the economy.*

**KEYWORDS**

fast fashion industry, corporate governance, sustainability, readymade garments, outsourcing, ethical sourcing.

**EXECUTIVE SUMMARY**

Globalization has changed the way organizations do business. With the highly competitive environment emerging the rat race to outdo competitors has led to capitalistic greed and also has made firms look at countries where labour is cheap and where there are no formal labour requirements by the government in place. Labour intensive countries like China, India, and Bangladesh have been those countries where western multinationals have outsourced their work at very cheap rates. This has led to a host of cost advantages accruing to the Western firms especially the fashion apparel industry. There has been least concern shown by these firms to either look into the working conditions of the factories which are now famously known as the “sweat shops” or to bring in any sort of sustainability practices and social responsibility efforts into those workers who earn for them huge profits. What has made American multinationals source their production and manufacturing to these countries? Are there regulations of fair working standards applicable to factories where the most well designed fashion apparel is made and hand crafted? Do people working in these factories deserve to have dignity in the work they do? These are huge concerns that evolve out of a nightmare which happened in a Bangladesh factory and the collapse of Rana Plaza was one of the worst industrial accidents in recent history, resulting in the loss of over 1100 lives. The scenes of the disaster and the conditions of workers shocked the world and exposed the profound flaws within the Ready Made Garment (RMG) industry in Bangladesh. An insight into the readymade garment industry in Bangladesh shocks not only the world but also the apathy shown by the Bangladesh government and the host countries towards the conditions of the people in the factories. The paper looks at the rise of the fast fashion and the ready to wear industry worldwide and stresses how multinationals in their journey towards making profits and wealth and reap cost advantages have ignored their ethical standards and corporate social responsibilities and how supply chain efficiencies have been discarded by motives of profit. The paper critically analysis the rise of the fast fashion industry and the resultant effect on the disastrous incident and collapse of a fast fashion factory on the outskirts of Dhaka called the Rana Plaza. When Rana Plaza collapsed the world watched as the costs of doing business in Bangladesh were made public. Systemic problems with the RMG industry unfolded before them, the collapse showing that poor infrastructure, weak labour rights, fragile industrial relations, a permissive business environment, lax supply chain management and intense pressure from buyers demanding fast fashion at low costs coupled with poorly constructed buildings coalesced to create hazardous working conditions for the nearly 4 million workers in Bangladesh. In the words of one NGO Chief Executive, Rana Plaza was the result of a ‘perfect storm’ of poor conditions and practices (Ayres, A.(2014).

**PHOTO 1**

(<http://news.nationalgeographic.com/news/2013/13/130425-bangladesh-dhaka-building-collapse-world/>)

**INTRODUCTION**

On April 23rd 2013, in Savar, Bangladesh a nine storey building on the outskirts of Dhaka collapsed killing around 1100 people. The reports cited that that the building collapse happened due to “heavy machinery and high-capacity generators” (<http://edition.cnn.com/2013/05/03/world/asia/bangladesh-building-collapse/>). Investigations further revealed that sub standard materials were used during the construction of the building which was also directly responsible for the crash. This created international headlines because it housed one of the biggest garment tragedies and brought into international attention the plight of the garment workers in Bangladesh. This also brought highlighted attention to the channels of exploitative power have no doubt been modernized but the labyrinths

of oppression still work by cheating employees and workers of fair standards, employees being supervised very harshly, threatened by musclemen if they resisted work or tried to complain to officials. This made the quote of capitalism very true that the rich got richer while the poor grew poorer.

The Economic reliance of the country on the garment industry was a main sector of employment to 4 million of garment workers. It was 2nd largest clothing exporter worldwide with almost 80% of export from Bangladesh is from the RMG industry. The Politics and national government favors the garment industry due to its economic importance and ignores problems within the industry. Corruption was identified as one of the causes of Rana Plaza collapse as it was alter investigated that the factory owner Rana had political ties with government. There were Insufficient numbers of inspectors with insufficient qualification. There were only 22 safety inspectors for 17,000 factories of inspectors and there were high levels of falsification of audits.

The reasons why the RMG industry was so crucial in Bangladesh was because 80% of export from Bangladesh is from the ready-made garment industry (Ahmed Apu, A.2013).78% of Bangladesh foreign earnings come from garment industry (Labowitz, S. & Baumann-Pauly, D. (2014).20% of GDP is from the ready-made garment industry (Ahmed Apu, A 2013). It was the 2nd largest clothing exporter worldwide behind China. This was the main sector of employment with 4 million of garment workers (Seters, J. et al., 2013) and the economy was highly dependent on the garment industry (Seters, J. et al.2013)

The labor issues were even more disturbing. There were high levels of discrimination. Unequal wages for men and women and labour leaders consistently face physical harassment and abuse. Women and children face sexual, & physical and verbal harassment. There were forced pregnancy tests and restrictions on maternity leave. The government showed absolute indifference by the lack of political will. Nearly every member had close ties to factory owners or are factory owners themselves and unions were confronted with high bureaucratic pressure against organization and strike action (Bangladesh All Party Parliamentary Group, 2013). The wage structure was even more worrying as Bangladesh had the lowest hourly wage in the world at about 0.32 cents an hour and 243 of 988 workers experienced overtime deductions (Bangladesh All Party Parliamentary Group, 2013)

The political factors were also responsible for the Rana plaza disaster.Politics and national government was favoring the garment industry because of its economic importance and has ignored problems within the industry and seems to have failed so far to learn any lessons from previous accidents(Primark (2014)).10% of members of parliament are factory owners, and 50% have some personal interest in the industry business owners have powers, many are politician and they hold 10% of parliament seats (Cook, I.2014)), 1/3 of MPs are involved in garment industry.(Cook, I.2014). Corruption was identified as a main cause of Rana Plaza collapse (Mallet, 2013). It was proved that factory owner Rana had political ties with government. (Labowitz, S. & Baumann-Pauly, D. (2014).

## RANA PLAZA

The immediate cause of the collapse of the Rana Plaza was poor construction. An assessment conducted revealed, the building was built for retail purposes. The thousands of workers and electrical generators exerted a weight 6 times greater than the building was intended to bear. Experts pointed the building was also constructed on soft ground and sections of the building were still under construction when it collapsed. The top two floors added were also against planning permission. The reasons attributed to this building collapse are many chief of them being the shoddy construction material used in the building. Officials investigating the tragedy say that "the way it collapsed, and the fact that so much of it came down, suggests there was a lack of redundancy," said the official. "The amount of reinforcing steel used didn't allow it to transfer the load from one section to another, and that's why so much of it came down." (cnn.com). Was there too heavy a load on the building or was it the reason that there was unauthorized work housing many people going on in the building? This brought to international spotlight the plight of the fashion garment workers in this dingy building.

The paper attempts to understand how the Rana Plaza disaster was prodded on by the growth of the fast fashion and apparel industry being outsourced to labor intensive countries which the host nations not being even slightly interested in either understanding or empathizing with work conditions instead just looking at the profit and cost advantages. This was capitalistic greed and was not just an isolated incident. It was fortunate that this incident was an eye opener to regulators and governments all over the globe that they have to bring in high-level of corporate social responsibility charters into their working and make this a very tangible initiative.

## ETHICAL SOURCING

Acknowledging these relationships is the key to understanding the real scope of the factory safety challenges in Bangladesh. In Bangladesh RMG politically connected barriers to entry are low and startup costs is minimal and a surfeit of supply exists. Thus suppliers and workers are the weakest actors subject to conditions of input and order dependency, hand to mouth contracting and footloose sourcing practices. Fear of undercutting is high and brand purchasing practices can exert significant influence on working conditions. The fast fashion model demands short lead times and here if the buyers claim rights to alter designs days before production is to begin with raw materials needed to be purchased, the time and cost pressure can have negative consequences for workers by incentivizing suppliers to increase overtime beyond legal limits. If additional hours do not get added into cost of goods overtime is or paid to the workers or suppliers working into the night. To meet shipment schedules units are often subcontracted out to other suppliers. With removal of trade quotas, companies take advantage of goods from low cost manufacturers. (Bruce and Daly, 2006) In this industry buying can occur on a weekly basis resulting in high overall costs reducing excess stock/markdowns and lost sales. (Bruce and Daly, 2006) The developing countries especially Bangladesh is very well known for its garment industry. The reasons are that this country is very labor intensive and employs women and children. The steps taken to end child labor and provide education to the displaced children is seen as a great step towards liberating children from sweat shops. The garment industry was so successful in Bangladesh because there were no quotas for export of garments like those that were followed in other countries. (Emma Thomason 2014). Labor was cheap and the garment manufacturing units were so labor intensive that it offered employment to so many people. Majority of employees were women and children. There were huge factories so employees and labor preferred to work here than in small sub-contracting work and hence the garment industry grew very popular. Bangladesh spearheaded the garment outsourcing industry because it provided employments to thousands of people. In a country marked by very high poverty levels, the garment industry became a very important source of earning however paltry the earning was seen. The readymade garment industry of Bangladesh has been a very important part of the success of the economy since 1990 when the country was identified as being a good outsourcing hub of the fast fashion industry. It was expected that with the huge amount of work that was outsourced to Bangladesh; the country will be able to redeem the twin ills of poverty and unemployment notwithstanding other human rights issues. However, its future has been thrown into doubt as a consequence of the heavy human, economic and reputational costs which have been revealed by the disaster. It is imperative that the initial impetus from Rana Plaza is not lost but is translated into concrete actions that will improve working conditions and ensure that Bangladesh does not lose out on future investment opportunities. The RMG industry was seen to be second most revenue generating industry from the country registering a \$19.1 billion of ready-made garment exports which was almost 13% of the country's GDP. (McKinsey & Company, 2011) Almost 3.6 million people are employed in the industry and this is considered to be the fastest growing industry in Bangladesh. Though these are all positive indicators, All Party Parliamentary Group (has been concerned about the unequal distribution of income and that the workers employed in this industry are working in very poor conditions and in very dangerous workplaces with blatant disregard for safety.Why then did not the APPG not intervene into this issue and bring in public appeal to make good the conditions of work. Did they have to wait for 1100 people to die before they could act? (McKinsey & Company, 2011). Bangladesh needs to be supported by brands and the international community in their efforts to build up local capacity and reform the RMG industry. The United Kingdom is a major investor in the readymade garment industry of Bangladesh and the third largest exporter destination (McKinsey & Company, 2011) of the country and hence has a great responsibility to see that contractors have ethical responsibility towards the manufacture of garments as well as to the employees. The UK firms as part of the social responsibility charters have invested huge amounts into these factories which make profits for them. UK has a major role to play in shaping policies of good governance for the RMG sector. The UK is already one of the largest grant donors to Bangladesh and efforts are on to ensure that sub-contracting work in Bangladesh is under the watchful eyes of the managers of host firms.

It was seen that Bangladesh which was the host to the readymade garment industry was the cynosure of all eyes High levels of pressure was exerted by the media which influenced the perceptions of customers as to how the garments they wear are produced and the wide public outcry on sweat shops has made retail giants like SEARS, K-Mart and H&M to introduce their code of conduct and, provide guidance on how to adhere, and inform suppliers the importance of ethical practices

in work. The Bangladesh Garment Manufacturers and Exporters Association is a representative association of the readymade garment sector. This plays a mediating role in supplier development. The triple bottom line which guides organizations towards best practices and includes economic, environmental, and social performances (Elkington, 2004) as the key to good growth have to be institutionalized by Western firms into the Bangladesh factories. Owners and suppliers must subject themselves to high levels of transparent functioning and disclose respectable practices of work in the fast fashion industry which is a seasonally evolving one. The balance of economic, environmental, and social benefits is the primary issue in the sustainability governance. To implement the three pillars into the fast fashion industry an integrated supply chain sustainability governance framework has to be developed which has to be followed by all in the network. Since every actor in the framework is governed by good practices, the health of the supply chain network can improve leading to good practices. This will enable the interplay of all factors positively and enable suppliers to look at good practices for fear of being thrown out of the network. (Labowitz, S. & Baumann-Pauly, D. 2014)

## THE FAST FASHION INDUSTRY

This is one of the most profitable industries and has grown phenomenally over the last 20 years due to the identification of labor intensive processes. The changing dynamics of the fashion industry has made retailers to look at highly effective low cost production techniques. The market demands that this industry should be flexible to the demands of the changing customer needs keep up quality in production and also be very fast in delivery. The fast fashion industry has grown in the last 20 years outdoing every other segment of consumer retailing and has brought into purview the cost of money power over the people power. (Bhardwaj and Fairhurst.2010)

The fashion apparel industry has evolved into a very profitable one when the apparel industry was thrown open to global forces. The fashion industry was going through an evolutionary phase like overcoming the travails of mass production to be replaced by customization of orders, changes in fashion seasons and changes in demand of changing seasons, hyper competitive e fashion houses and the very important aspect of structural and strategic supply chain partners. This has forced the fashion retailers to adapt to market structure in a way that was never before thought of. To sustain in the highly competitive environment retailers had to look at low cost production, speed of delivery and flexibility to adapt to changing designs and customer demands. Further capital investment and marketing efficiencies were also considered to be vital forces in the fashion industry. (Sinha 2006). Franks (2000) suggested 'sense and respond' as the key strategy to maintain a profitable position in the increasingly dynamic and demanding market. A key defining characteristic of rapid responsiveness and greater flexibility, in this context, is to maintain closer relationships between suppliers and buyers (Wheelright and Clark 1992).

The very intricately and highly competitive supply chain strategies were one of the most pertinent reasons why Bangladesh was chosen as a very popular outsourcing country. The fast fashion industry was very peculiar in the sense that this industry could forecast the demand of consumers and fashion trends much before the apparel hit the market. (Guercini 2001). This was something which was very peculiar to the fashion industry and so retailers took this cue and started speedy access to markets through fashion shows and fashion launches giving the apparel industry a name called as "Fast Fashion". According to Taplin (1999), such retailers could be credited with the adoption of 'quick fashion' that is an outcome of an unplanned process on the reduced time gap between designing and consumption on a seasonal basis.

There has been an evolution of the fashion industry in recent years. The industry has become highly competitive and there has been an urgent and constant need to bring in new designs and stick into the market for fashion retailers to sustain. Margins of profits being very less, retailers are constantly on the lookout for managing their Supply Chain in a very cost effective manner. The concept of seasons has further urged small retailers to bring out with new collections every few days. This can be possible only if organizations are able to change their merchandise very fast and quickly. This is possible if products which have a very short life cycle and high profit margins can be brought into the market eliminating the mark down margins altogether (Sydney 2008). This has given rise to huge retail houses like Sara Lee, ZARA and H and M.

A look at the growth of the fast fashion industry makes it very necessary to understand why the Rana Plaza disaster occurred and how certain very important ethical and standards of social responsibility could have prevented this accident. This also assumes importance in the wake of strategic changes happening in the supply chain of the apparel industry and the retailers that have bogged down the industry looking for sources of cheap labor. (Bhardwaj and Fairhurst.2010)

### 1. MASS PRODUCTION IS OUT

Till the 1990's mass production was the dictates of the fashion industry. The market dynamics and customer preferences did not change and there were no seasons. Customers were rather insensitive to fashion and preferred to be clothed in basic apparel which gave rise to the traditional concept of Levi's jeans and white shirt. There was a sudden change in the apparel demanded by women as compared to the standardized ones, this shifted the demand from classic and standard wear to fashion conscious wear. (Bailey 2001). The change was seen first in the women's hosiery industry with white being replaced by colors and cotton texture being replaced with different textures to suit the garment. This led to very low profit margins and market mark downs as was seen in the year 1987. This further led fashion garment manufacturers to understand that mass production could not get profits and gains.

### 2. FASHION SEASONS

Fashion earlier was always cyclical which was taken up by customers at specific periods of time. These changes in the fashion season made the cycle very small. Since the 1980s, a typical life cycle for fashion apparel had four stages: introduction and adoption by fashion leaders; growth and increase in public acceptance; mass conformity; and finally the decline and obsolescence of fashion. The beginning of the 1990's saw a dynamic change in the four stages of product development. Retailers expanded their product offering and responded much faster and speedier to market demands and newness in offerings. This made a dual proposition to the customer, cost effectiveness and new product designs at very quick times. More seasons were added to the apparel industry and a fashion calendar was created. The faster the changes greater were the adaptiveness to the customer market demands so every week there was fashion show or a new collection being released. There were 3 to 5 mid-seasons forced immense pressure on suppliers to deliver fashion apparel in smaller batches with reduced lead time.

### 3. STRUCTURAL CHARACTERISTICS

The late 1980s was dominated by large retailers. The presence of other smaller retailers increased the competition in the market hence they switched over from product driven to buyer driven changes developed interfirm and supplier relationships and promoted their distinctive brands. This led to high levels of profits resultant of high values in research on designs sales marketing and linking design outsourcing to foreign labor intensive locations. Quick response was the watch word and low cost in labor was the trends which led to substantial cost advantages. (Guercini, S. 2001)

### 4. QUICK RESPONSES

As more and more quickness was seen as the success of apparel industries and stores; more emphasis was given to very quick delivery schedules employing large number of people. This could be possible only if there were contracting firms which could supply large number of people at low cost and with low overheads on infrastructure and other facilities. This gave birth to sweatshops and other very badly defined workplaces which employed men, women and children.

Without a robust supply chain management maintaining confidence in ethical practice is a challenge. The traditional fashion buying cycle is based on long-term forecasts from historical sales, and occurs one year before a season, with leads for orders placed six months prior to product launch and in companies with a focus on fast fashion, buying can occur frequently, even on a weekly basis (Sydney. 2008). Time race often demands, reduction of lead times throughout the supply chain. According to Bruce and Hines (2007) customer desires are satisfied efficiently in the sense that time is reduced. The rush is explained by the shortened 'product life cycles'. This affects PLC as newcomers in current collections cannibalize existing pieces resulting in a shorter shelf life with some barely reaching the maturity stage.

The ethical strategies of outsourcing and managing supply chains was seen to be one of the direct results of irresponsible behavior on the part of all stakeholders concerns and hence this led to a serious thought on how to bring in ethical sourcing in the readymade garment industry.

## RECOMMENDATION POST RANA PLAZA

The apathy that was shown by the government and by the firms for whom the workers who died in the factory collapse was indeed a shocking tribute to the loss of lives. This brought into cognizance that it is vital that the structural integrity of buildings and the infrastructure capacity of Bangladesh are improved. Poor infrastructure is a significant supply bottleneck which increases the pressures and costs of a supply chain characterized by a 'fast-fashion' model with short lead

times and tight deadlines. Consequently, there is high chance of a repeat of the tragic events of Rana Plaza and Tazreen Fashion's fire. These risks compromise the long term investments of brands and limit their ability to improve working conditions. In order to prevent a loss of future investment, the APPG recommends that the Bangladesh government, aided by brands and the international community, establishes a long term strategic plan to address these pressing concerns. The Accord on Fire and Building Safety, the Alliance for Bangladesh Worker Safety and the National Tripartite Plan of Action on Fire Safety and Structural Integrity (NTAP) are necessary first steps though these efforts must be coordinated and supported in order to build local capacity towards a sustainable solution. This APPG report has the objective of suggesting policy recommendations to promote a RMG industry that works for consumers, business, workers and Bangladesh. It is critical that regulatory and infrastructure reforms are carried out and working conditions improved to ensure that brands are not compelled to leave through global competitive pressures. The RMG industry will continue to have an important role as a driver of economic growth and employment if Bangladesh is to achieve its objective of reaching middle-income status. There was wide spread concern on the Rana Plaza disaster and the recommendations to prevent such accidents in future were to be taken seriously. There was to be a serious note to direct and indirect sourcing including ethical practices in business. (ILRF 2013)

### RECOMMENDATIONS TO THE BUSINESS COMMUNITY

Brands which were sourcing their work need to recalibrate their business relationships with commitment and transparency. The institutionalization of the Accord and Alliance forces should join together with the manufacturing partners to ensure that there is a thorough assessment of facilities. The Stern report suggests that Accord and Alliance are assessed along 5 dimensions

- Participation*- Accord has over 150 U. S and European companies as its members. This includes unions in decision making. Alliance has 27 American retailers. Includes local industries excluding unions in decision making.
- Decision making and governance*- Both these organizations have offices and staff in Dhaka including employees, consultants and advisors based internationally.
- Commitments*- both initiatives envisioned for 5 years till 2018. Alliance requires members to participate for 2 years, accord 5 years.
- Program & Approach*- both encompass approx. 1,894 factories out of 5,000-6,000. They offer similar programmes focusing on factory safety, building inspections, make funds available for factory remediation. Both initiatives do not focus on indirect sourcing in supply chain, issues of labour rights.
- Fees & Funding*- if both corporate participants make annual contributions based on dollar volume of exports to cover inspections, training programs and operational expenses. Both put the burden of funding repairs on factory owners. (Labowitz, S. & Baumann-Pauly, D. (2014).

### RECOMMENDATIONS TO THE GOVERNMENT OF BANGLADESH

The regulatory system of the readymade garment industry has to be revamped. Regulatory functions cannot be outsourced. The ILO and other international organizations should converge their forces together to ensure that the government of Bangladesh builds its capacity to monitor conditions in the garment factories and develop credible, well-resourced remedial systems. The government should quickly complete the work of compensating victims of Rana Plaza and should institutionalize this effort to meet the needs of victims of future industrial accidents. The government has to streamline and take leadership in making the garment industry safe for workers. (Labowitz, S. & Baumann-Pauly, D. 2014).

### RECOMMENDATIONS TO THE INTERNATIONAL DONOR COMMUNITY

The task of repairing and rebuilding the most hazardous factories in Bangladesh will take years to complete and cost hundreds of millions of dollars. The effort to build a good and working infrastructure will require much more resources. The government and the private community in Bangladesh cannot do it alone. The interventions of foreign governments, the World Bank, and other multilateral institutions need to step up as well. International support to overcome this tragedy is a very critical issue. Absence of such support may lead to tragedies recurring in Bangladesh which may ultimately lead to the death of the garment industry totally. (Labowitz, S. & Baumann-Pauly, D. 2014).

### RECOMMENDATION OF AN ALTERNATE MODEL OF DIRECT SOURCING AND STRATEGIC SOURCING

A transparent sourcing model where the buyer works with the partner suppliers is beginning to take shape. This model will work on Long-term order forecasting where expected orders will be based on a yearly perspective and there will be an agreement on quality, delivery, and price expectations over this period. Investment in technology, training and facilities will improve employee efficiency. Purpose-driven compliance monitoring will enable Suppliers audit their own performance against social and environmental metrics, which are spot-checked by the buyer. Trust-based negotiation around unexpected challenges between suppliers and buyers will enable them to partner in solving problems related to cost overruns noncompliance both socially and environmentally and take steps to remediate on the same. Business incentives for high performance on working conditions by giving buyers incentives and rewarding high performing suppliers. This model which is long term trust based and business driven model is recommended for the Bangladesh garment industry post the disaster. (Labowitz, S. & Baumann-Pauly, D. (2014).

### RECOMMENDATION FOR A NATIONAL TRIPARTITE PLAN OF ACTION" ON FIRE SAFETY IN THE RMG SECTOR

This will identify and create a series of activities to coordinate mechanisms of safety buyers, international development organizations, and donors. The purview of this plan of action as suggested would bring in development of a National Occupational Health and Safety Policy with input from the ILO, develop fire safety regulations and the establishment of a fire safety task force, recruitment of added factory inspectors and support staff to fill vacant positions in the Department of Inspection for Factories and Establishments, review of factory licensing and certification procedures with respect to fire safety, which were previously the responsibility of several government authorities.(ILRF 2013) The NAP also recommends a "one-stop shop" for administering certification, assessments of factory-level fire safety needs, development of a factory fires safety improvement program, and fire safety information and training programs and creating a hot line for workers of fire safety and civil defense and a tripartite compensating protocol.(Labowitz, S. & Baumann-Pauly, D. 2014).

### INPUTS FOR ETHICAL PRACTICES AND CORPORATE GOVERNANCE

The way economies are growing in Asia and the speed at which it is growing compared to the west is both of happiness and a concern too. Unprecedented growth also leads to sudden collapse in the value system and ethics, if proper planning and due diligence process is not in place. World has witnessed the great Lehman brothers and the fall-out in most of the world economies where the banking system is not properly controlled and many countries apart from the US faced economic down trend in 2008, though Indian economy did not suffer in the same degree. This was primarily due to strong banking system in place. It is not only the tragic rana plaza issue in Bangladesh there are several such units across India, Bangladesh, Vietnam, Sri Lanka, Cambodia, and Indonesia which are facing similar challenges. Even countries like Philippines dealt with state ownership for economic progress than addressing issues based on corporate governance and ethics. The valuable lessons learned during crisis, must drive a country towards improved ethical practices and corporate governance for sustainability. The Agreement on Textiles and Clothing (ATC) expiry in the US, Canada, and Europe lead to outsourcing of this industry across Asia due to inherent cheap labor and cost advantage.

Over enthusiasm of these countries to provide more job opportunities to their respective population resulted in under cutting of prices and in effect hiring labor at a ridiculously lower rates. These country's wage earning opportunities have been rare and scarce. Therefore, these multinationals took advantage of loose or no proper labour law prevailing in these countries. More than 70% EU's import on textile and garments are from Asia is also indicating relaxed labor law giving advantage to cost.

When we discuss ethical practices the very first point for labor community is adequate working conditions which includes safe buildings to work and other infra-structural enablers which will not harm their health in any way. This includes not pollutant atmosphere, safety standards and good working conditions and proper wages.

Corporate Governance is a last rung of ladder (on the top) when we discuss the garment industry. There are no uniform rules in these countries to regulate and protect wage earners. Even if there are some sporadic ones, they focused more on the minimum wages rather than other issues which are highly detrimental to the labor community- which includes working conditions and safety. Except a few multinational brands, most of the organizations which are small and medium in size flout even the existing provisions of the law in their respective countries. Therefore, when we discuss of Corporate Governance we are limiting the same to Ethical practices only as we need to graduate to the next level for corporate governance. Most of the organized sector corporates are also focusing only on the bottom-line rather than improving working conditions and complying with ethical practices and corporate governance.

Most vulnerable exporting countries are facing the possibility of disastrous job losses, therefore even ethical practices in these organizations take a back-seat and this issue can be resolved only when these countries bring in stringent laws.

World economic down trend in 2008 did not affect Asia to a great extent, simply because there is a clear inadequacy in terms of ethical practices and corporate governance as it involves a trade-off between the cost of outsourcing (less) as the standards of corporate governance is not up to the mark. That's why we do not see a drop in the corporate sector investing in this sector even during recession.

In this specific garment industry the structural weakness concerns significant presence of corporate sector affiliated groups that include commercial and co-operative banks which are external control agents fail to strengthen the corporate governance and ethical practices and many a time they are party to this non-compliance. When it can happen with banks like SBI in India with large business houses like King Fisher Airlines, garment industry which are very small in size where many structural weaknesses are there, it is very difficult to have a seamless corporate governance unless the governments bring in laws to strengthen the same. Many garment units in Tirupur, Coimbatore, part of Gujarat are operating in poor working conditions and with unsafe structure which can result in similar disasters like the structural collapse in Bangladesh garment unit. Many of Asian workers operate in sweatshop conditions, absence of proper contracts, hazardous conditions all these issues are highlighted in media when there is a disaster. Else, it is business as usual. UN guiding principles of business and human rights and guidelines of multinationals good social responsibility is also ignored. Therefore, there has to be clean governance in the first place without corruption and transparency in transactions before we discuss about ethical practices in a sector like garment where survival is an issue therefore sustainability can be achieved only when ethical practices and corporate governance are forced through government interference and will.

Corporate governance as a control mechanism should form guidelines and checks and balances with corporate structure should focus on long-term value proposition and enhancement for stakeholders of the company. Corporate governance must provide the framework for attaining corporate objectives which includes the community development for market respectability.

Indian garment and textile industry is one of the oldest and largest globally. This sector has undergone sea changes and transitions from the hand-picked Directors to Independent, professional Directors which is expected to deliver results in the area of ethical practices and corporate governance.

Corporate governance must focus on transparency of business dealings, and required working conditions and safety of workmen involved. This will inspire confidence from both domestic and global investors. This should also address accountability and enforceability. Now, there is a change in the way global investors are looking at these aspects post Enron failure. SEBI also made certain amendments guided by Clause 49 of Listing agreements to improve transparency in transactions, and listening to even minority shareholders on management decisions.

We must look at the following points closely to implement ethical practices and corporate governance in this industry. Focus should be on small and medium factories in Asia and workable corporate governance in these organizational structure. This should also address the issue of working conditions. From the governmental angle, the law should get amended to address corporate governance and ethical practices. To bring in more transparency and competitiveness, can look at bringing down the import duty on fiber. To prevent accidents and poor working conditions there could be law for capping maximum workmen in a factory which can also address the issue of retrenchments or lay-offs. Digitalization of this industry from a factory level designs to all other activities including legal compliances will bring in more transparency and ethical practices. Enlarging the scope of trade agreements with Asian countries.

It is possible to avoid Rana plaza like disasters if the respective governments allow establishment of independent trade unions to monitor and protect workmen rights and independent Directors in the corporate governance process must protect the interests of workmen's safety and security by forming individual trusts and more care to be taken while constructing buildings and factories

## CONCLUSION

It cannot be denied that while indirect sourcing has been a key driver of booming growth in the garment sector and the export economy of Bangladesh and that public governance in Bangladesh is extremely weak, the implementing of a National Action Plan represents a clear and ambitious agenda for the future. Government has to control the readymade garment industry in a manner that allows the industry to sustain and grow in the country. Being indispensable to the growth of the economy the Readymade garment industry is now at a critical cross road and unless it makes way for positive and structural changes and applies internal best practices to human work ethics and codes the country will be removed from the map of the world. (Mallet, V. (2013) Once a favored destination for skilled garment workers, the indifference to ethical and socially responsible practices will lead to an international boycott of the country. In order to ensure that the industry continues its growth in the country the government will have to negate in dialogue with the contractors suppliers and manufactures of the garment textile industry along with the very important labor unions to not only revamp work conditions but also ensure that infrastructural challenges that arise from inefficient supervision does not result in the crisis like what happened in the Rana plaza and remove all bottlenecks in transport and energy supply. The APPG supports Bangladesh's National Tripartite Action Plan on Fire and Structural Integrity (NTAB) and urges the government to ensure its objectives are met.

TABLE 1: GROWTH OF BANGLADESH EXPORT TO THE WORLD

Category	Pre RPT		
	Jul-Mar 2011-12	Jul-Mar 2012-13	Jul-Mar 2013-14
RMG	12.2	11.1	15.2
Knit	5.9	8.4	16.4
Woven	19.2	13.8	14.0

(Mallet, V. (2013)

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